

# NEW JERSEY NON-PROFITS 2012

## Trends and Outlook

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*Helping organizations build a better New Jersey*

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## Summary

This report is the latest in a series of annual surveys designed to gauge trends, experiences and expectations among New Jersey non-profit organizations, and to explore the effects of the economy on New Jersey's charitable community. The Center for Non-Profits conducted this round of surveys from January 18-31, 2012, to assess how non-profits fared in 2011 and to determine their outlook for the coming year. The 249 responses from 501(c)(3) organizations that were submitted online during the survey period were included in this analysis.

Among the key findings:

- Nearly three-quarters (73%) of responding organizations reported that demand for services had increased during the past year, and even more (78%) expected demand to continue rising in 2012.
- Thirty-seven percent reported that total funding had declined in 2011, and 40% reported that expenses exceeded support and revenue during the most recently completed fiscal year.
- Fifty-four percent of survey respondents reported that a previous funding source had informed them in 2010 that they would not be giving to their organization or that they would be giving less. Denials or reductions were most frequently reported from private foundations, corporations, individual donors, and state government, with economy-related issues overwhelmingly the most common reason.
- Sixty-one percent expected their total expenses to increase in 2012, but only 39% expected total 2012 funding to increase. By contrast, 39% expected total funding to remain the same as 2011, and 18% anticipated a decrease. Generally, respondents were slightly more optimistic than one year ago, predicting level funding in many major categories and increases for individual gifts and special events. However, taking into account the sharp funding declines of recent years and overall funding predictions, the general outlook remains cautious.
- Thirty-five percent of respondents reported that they had frozen or cut salaries by the time the survey was taken, 26% had cut staff, 18% had implemented some reduction of staff hours, and 17% had reduced employee benefits. More than 40% had launched new fundraising appeals or sought funds from alternative sources, 28% had increased their advocacy efforts, and 33% had recruited additional volunteers.
- Nearly half of respondents (47%) reported launching new partnerships or collaborations in 2011, most commonly with other non-profit organizations, although partnerships with government and business were also reported. While only 4% reported having completed a merger, 14% had explored one, 10% said that they might complete one in 2012, and 13% indicated that they might explore one in 2012.
- Asked to identify the issues presenting the greatest challenges to the viability of **their own organizations**, non-profits most frequently chose financial uncertainty, the need for a stronger board, increased costs of benefits/insurance, inability to afford high quality staff, and increased demand for program services.
- When asked to choose the issues most important to maintaining and improving the viability of the **non-profit sector** in the coming decade, non-profits were most likely to select attracting/retaining qualified board members; non-profit infrastructure/capacity building; foundation/corporate funding; state fiscal policy/budget; and attracting/retaining qualified workers.

The survey findings suggest that many non-profits remain in something of a "holding pattern" in coping with the ongoing effects of the economic downturn. Fewer declines in funding were reported in this year's survey than in the preceding two years, providing some hope that the very worst may be behind us. However, demand for non-profit services continues to rise while overall funding remains far below pre-recession levels, and respondents' experiences and outlook for 2012 suggest that for many, flat funding will continue to be the norm. Non-profits are seeking to shore up their governance, finances and overall infrastructure to address community needs and ensure future strength.

With government and our state's residents continuing to rely on non-profits to provide vital programs and services, it is crucial for non-profits, policy makers, business and philanthropic leaders to continue to work together to ensure that our state's social and economic needs can be met. The Center for Non-Profits will continue to share the latest information about the economic, social and policy environment for non-profits, and will work cooperatively to seek solutions to the collective challenges we face.

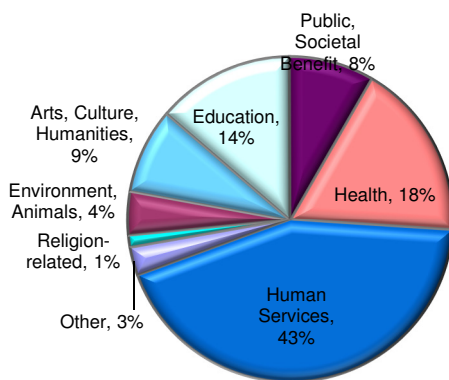
## Background and Methodology

This report is the latest in a series of annual surveys by the Center for Non-Profits to gauge trends, experiences and expectations of New Jersey non-profit organizations.

The Center conducted the survey online during January 2012 to assess how non-profits fared in 2011 and to determine their outlook for the coming year. An email announcement with a link to the survey was sent to approximately 2800 subscribers of the Center's email list, and additional outreach was made via social media (Facebook, Twitter and LinkedIn) and to other umbrella organizations serving non-profits in the state. All communications encouraged recipients to share the survey notice/instrument broadly within their own networks. The 249 responses from 501(c)(3) organizations that were submitted as of January 31, 2012, were included in this analysis.

**Chart 1: Primary Service Focus**

(N=249)



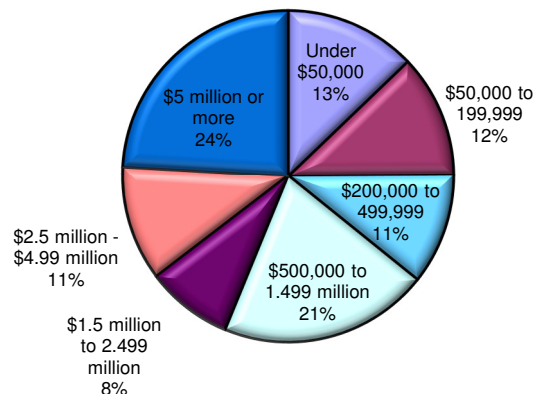
## Demographics of Responding Organizations

### Primary Service Focus

Respondents were asked to select their organization's primary purpose from a list of 8 classifications. Chart 1 represents the breakdown of respondents according to those categories. Compared with the New Jersey's non-profit sector overall, human services and health organizations are somewhat overrepresented, while educational, public/societal benefit and religious organizations are under-represented. However, the diversity of organizations within the non-profit sector is reflected within the survey respondents.

**Chart 2: Annual Operating Budget**

(N=249)



### Budget Size

Chart 2 represents the breakdown of survey respondents by annual budget. Although a wide range of budget sizes are represented, organizations of less than \$200,000 budgets, which make up the majority of New Jersey's non-profits, are underrepresented in the survey responses. Larger organizations are somewhat overrepresented when compared with their proportion to the number of non-profits in the state overall.

### Geographic Location

Although all regions of the New Jersey were represented among survey respondents, North and Central Jersey were somewhat overrepresented in our survey and South Jersey underrepresented compared with the overall distribution of non-profits in the state. Organizations from North Jersey (Bergen, Essex, Hudson, Morris, Passaic, Sussex, Union and Warren Counties) comprised 59% of the respondents, Central Jersey (Hunterdon, Mercer, Middlesex, Monmouth and Somerset) made up 43%, while approximately 13% were located in the Southern region (Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem).

## Demand for Services

### Change in Demand in 2011

Organizations were asked whether demand for core services increased or decreased during 2011 as compared to 2010 (Table 1). Consistent with prior surveys, nearly three-quarters (73%) of responding organizations reported that demand for services had grown. Only 5% reported a lower demand for services in 2011. Although rising demand was reported by the majority of all types of organizations, it was most often cited in human service and health organizations.

<b>Demand for Core Services in 2011 vs. 2010</b> (N=247)	
Increase	73%
Decrease	5%
No significant change	19%
Unknown	3%

Table 1

### Change in numbers of people served in 2011

Although not all non-profits' missions involve direct service to individuals, there were some clear gaps between the increased demand noted by some types of organizations and whether they had served more people in the same period. The percentage of organizations reporting increased demand for services during 2011 exceeded those reporting that they had served more clients, patrons or individuals during the same period (Table 2). This gap was most prevalent in human service organizations.

<b>Changes in Numbers of People Served in 2011</b> (N=247)	
Increase	65%
Decrease	11%
Remained the same	22%
Unknown	2%

Table 2

### Predictions for 2012

Nearly four-fifths of organizations (78%) predicted that demand for their services would continue to increase in 2012. Sixteen percent felt that demand for services would remain about the same, and only 1% predicted a decrease in demand. (Table 3) Human service organizations were the most likely to predict continued increases in demand.

<b>Projected Demand for Core Services in 2012 vs. 2011</b> (N=245)	
Increase	78%
Decrease	1%
No significant change	16%
Unknown	5%

Table 3

## Expenses

### In 2011

Organizations were asked whether overall expenses in 2011 increased or decreased compared with 2010. Nearly half (49%) of respondents reported that expenses increased by at least 5% in 2011. (Table 4) Twenty-six percent reported expense increases of 10% or more; 10% reported increases of 25% or more. One-third reported relatively unchanged expenses. These proportions are almost identical to those reported in last year's survey, suggesting that although some expenses continue to rise, respondents are maintaining many of the cost-cutting measures implemented previously.

<b>Total Expenses Most Recent Year vs. Previous Year</b>			
	2011	2010	2009
Increase of 5% or more	49%	50%	51%
Decrease of 5% or more	12%	12%	21%
No significant change (+/- 5% or less change)	34%	33%	24%
Unknown	5%	5%	5%

Table 4

### Expense predictions for 2012

About three-fifths (61%) of respondents expected expenses to rise in 2012 (Table 5). This proportion has remained roughly the same since 2009, but remains lower than pre-recession levels, and is likely attributable to sustained cost-cutting measures in many organizations. However, as noted later in this report, only 39% of organizations expected their total funding to rise in 2012.

Projected Expenses in 2012 vs. 2011 (N=227)	
Increase	61%
Decrease	9%
Remain the same	27%
Unknown	4%

Table 5

### Revenue/Expense Comparisons

Amid widespread reports of increased demand for programs and services, 40% of responding organizations reported spending more money than they took in during their most recent fiscal year. This percentage is slightly worse than our 2011 survey (36%). Fewer than one-quarter (22%) of respondents reported that total revenues had exceeded expenses in 2011, suggesting that the recession continues to exact a high toll from organizations. (Table 6)

Total Income vs. Expenses for Most Recent Fiscal Year-End (N=237)	
Surplus	22%
Break-even	38%
Deficit	40%

Table 6

### Cash Reserves/Lines of Credit

Just over half (57%) of responding organizations reported that they had a cash reserve (defined in the survey as an unrestricted amount of funds set aside to provide a cushion against future unexpected cash flow shortages, expenses or losses), and 35% reported having a line of credit. Predictably, cash reserves and lines of credit were more frequently reported among larger organizations.

Among organizations with cash reserves, 40% reported having a reserve of 1-3 months of operating funds; 24% reported 3-6 months' worth; and 27% reported over six months of operating funds. Half (51%) indicated that their cash reserve remained relatively constant over the past year, while 31% said it was smaller than one year ago and 18% said that their reserve was larger.

Two-fifths (38%) of organizations with lines of credit reported having to borrow against the line of credit in 2011, and 18% reported that they had to borrow more in 2011 than in the previous year. Fifty-four percent of respondents with a line of credit indicated that it was "essential" or "very important" to their organizations' continued ability to provide core programs and services.

### Trends in Funding

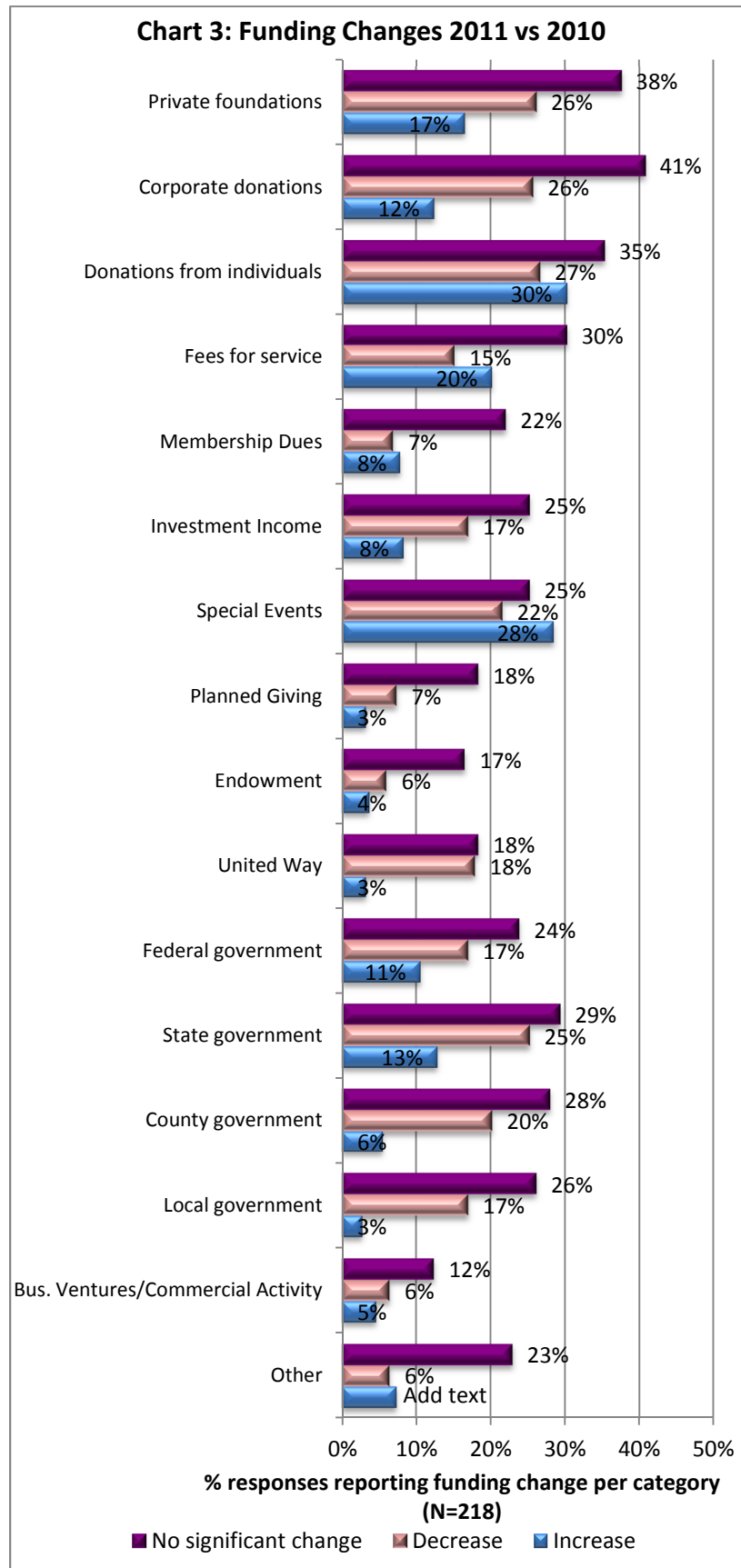
#### Total Funding 2011 vs. 2010

Thirty-seven percent of organizations reported that their overall funding had decreased in the prior year; this is better than two years ago, when nearly half (45%) of respondents reported funding decreases; but less than a third (32%) reported funding increases, roughly unchanged from the survey conducted by the Center one year ago and still less than pre-recession surveys. (Table 7). This suggests that while there may be some signs of leveling out, tight funding continues to be the norm.

Funding in Most Recent Year vs. Previous Year			
	2011	2010	2009
Increase of 5% or more	32%	29%	28%
Decrease of 5% or more	37%	34%	45%
No significant change (+/- 5% or less change)	26%	33%	23%
Unknown	6%	4%	4%

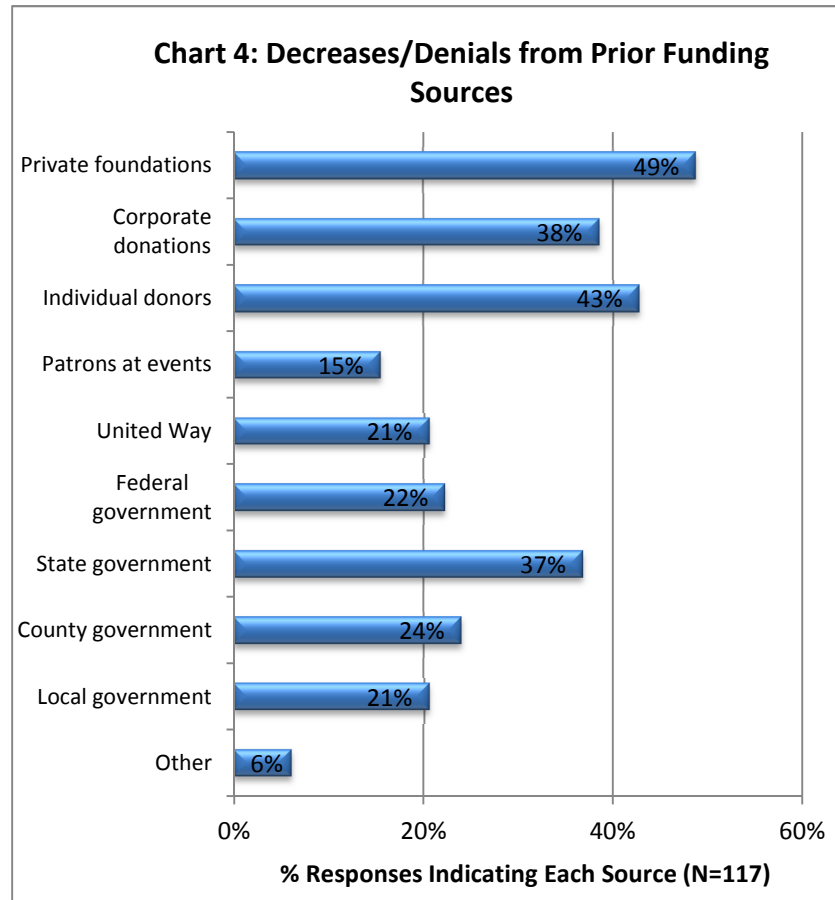
Table 7

Compared with 2010, for most respondents funding was flat in 2011 from many major sources, including corporations, foundations, individuals, and government. Only in the special events were more increases reported than flat or reduced funding, though individual giving also improved slightly in 2011 (chart 3).

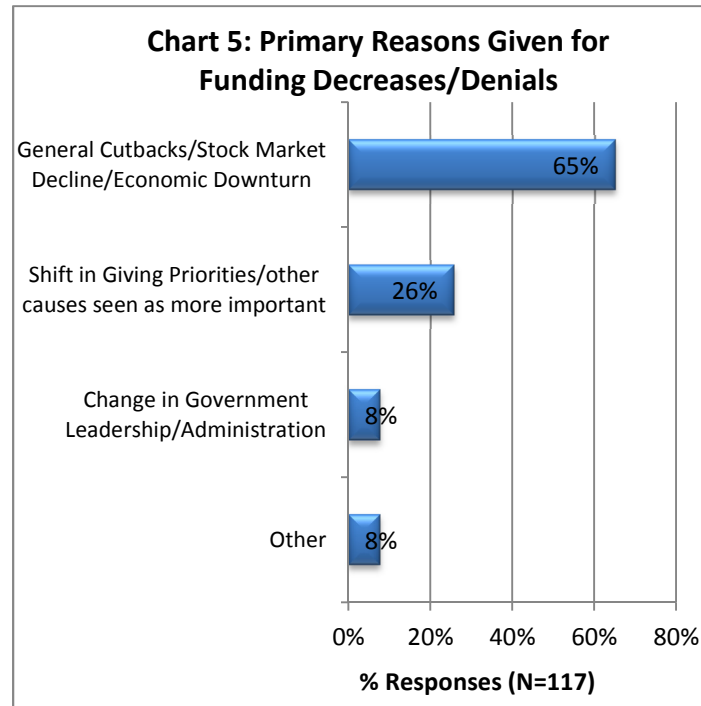


### Denials/Reductions by Previous Funders

Fifty-four percent of survey respondents reported that a previous funding source had informed them in 2011 that they would not be giving to their organization or that they would be giving less. This represents a small but notable improvement from our survey of two years ago, in which 65% of organizations reported funding denials or reductions, and from the 59% reported one year ago. In the current survey, denials or reductions were most frequently reported from private foundations (49%), individual donors (43%), corporations (38%), and state government (37%). (Chart 4)



Overwhelmingly, the most frequent reason given for funding reductions was the economic downturn/stock market decline, identified by 65% of respondents who were declined funding. Shifts in giving priorities were identified by 26% of respondents. (Chart 5, next page)



### Funding Outlook 2012

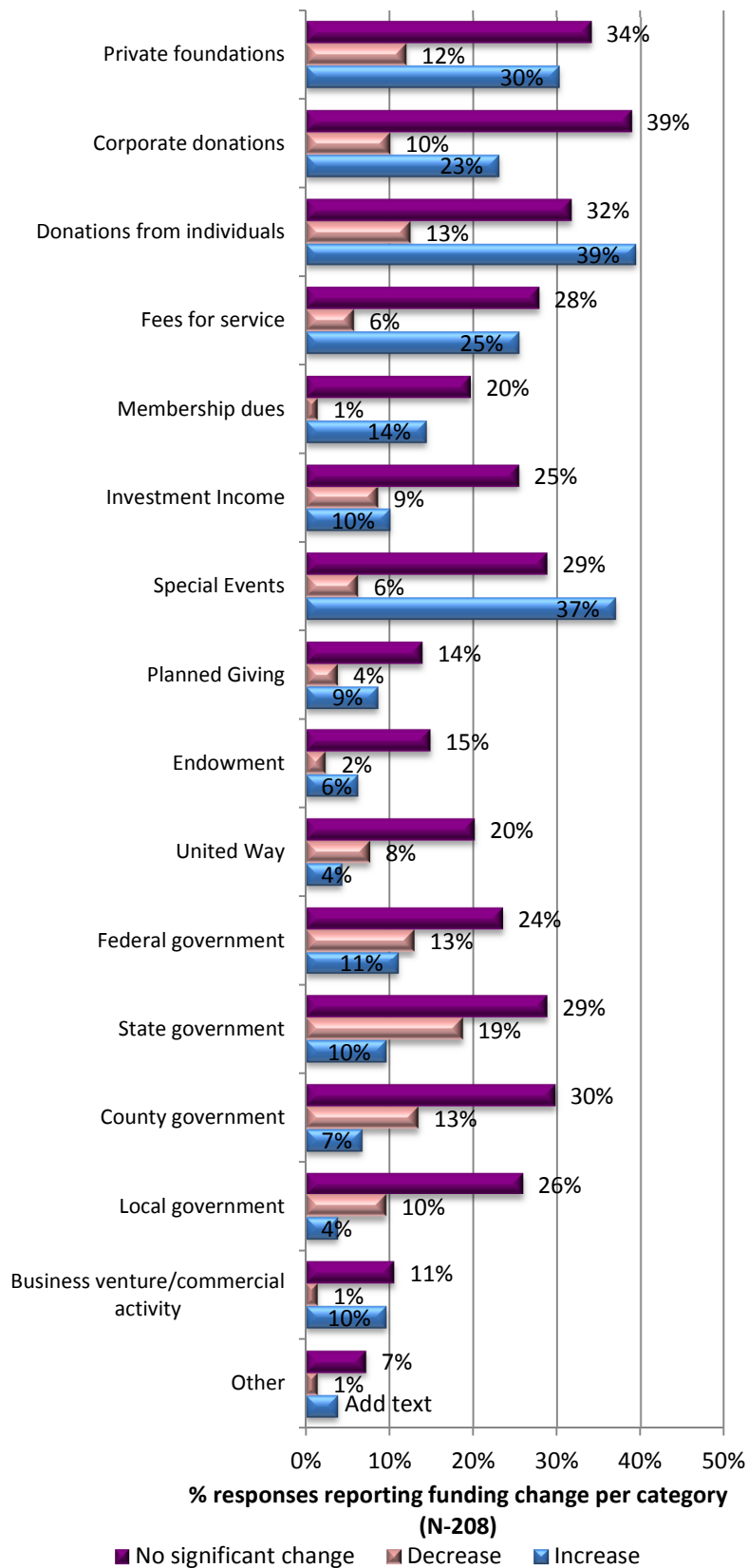
Thirty-nine percent of responding organizations predicted that their total funding would increase in 2012, while 18% projected decreases and 31% predicted stable funding. Compared with our surveys of the past two years, the percentage of organizations predicting increased funding is unchanged, but more respondents are predicting flat funding and fewer are predicting decreases. (Table 8)

Projected Funding - Upcoming vs. Previous Year			
	2012	2011	2010
Increase	39%	38%	38%
Decrease	18%	25%	35%
Remain the same	39%	31%	24%
Unknown/not reported	5%	6%	4%

Table 8

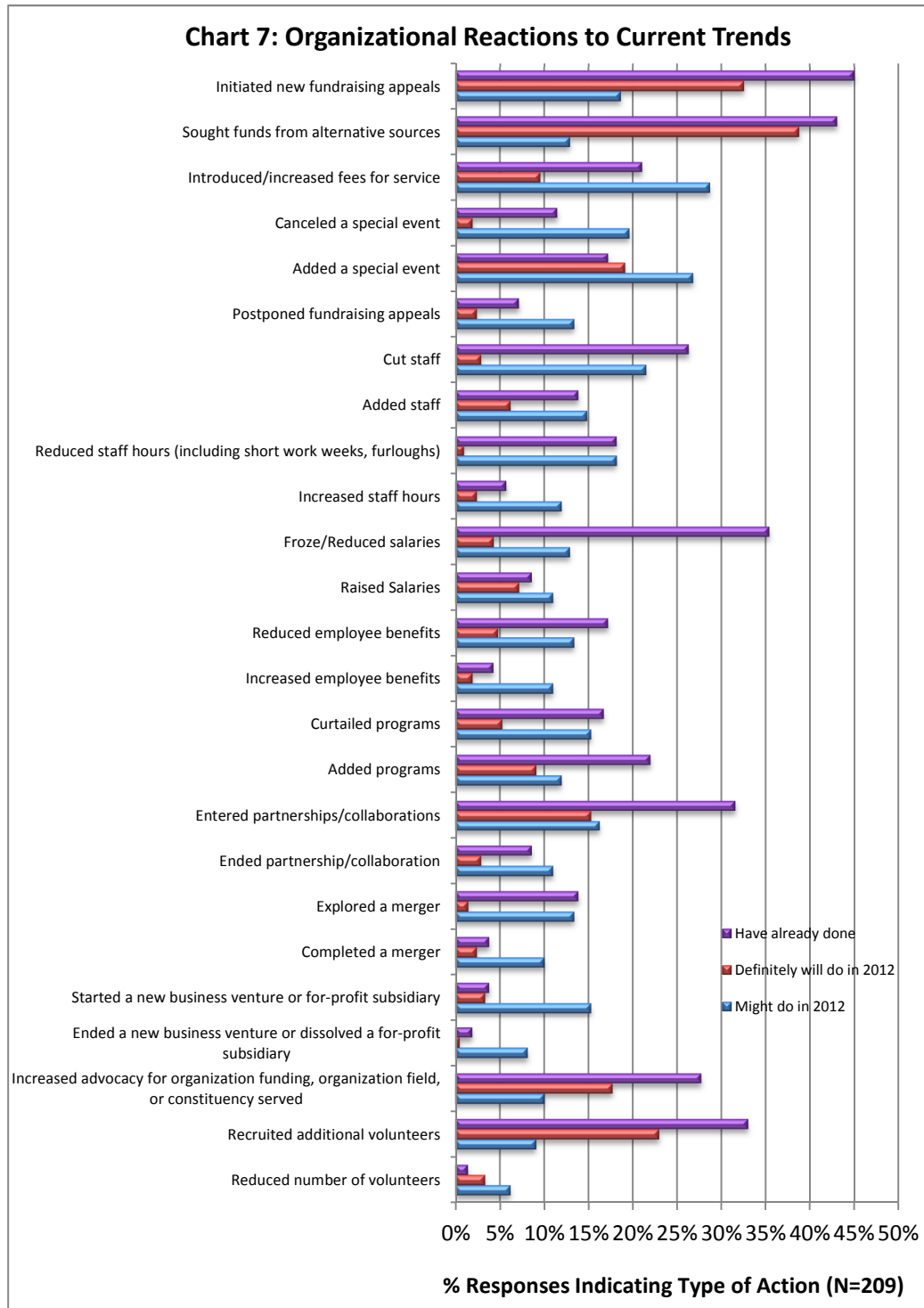
### Projected Funding from Specific Sources in 2012

Overall, a higher proportion of respondents predicted level or increased funding in many major categories than in last year's survey, a more optimistic outlook than one year ago. For special events and individuals, more organizations predicted increases than level or reduced funding. However, taking into account the sharp funding declines of recent years and the overall funding predictions cited above, the general outlook remains very cautious. Respondents were most optimistic regarding individual giving and special events, and least hopeful regarding government funding at all levels. (Chart 6, next page)

**Chart 6: Predicted Funding 2012 vs 2011**

## Organizational Reactions to Emerging Trends

In 2011, organizations continued to seek additional sources of revenue while maintaining cost-cutting measures initiated previously. (Chart 7) More than 40 percent launched new fundraising appeals or sought funds from alternative sources, 28% increased their advocacy efforts, and 33% reported recruiting additional volunteers. Partnerships/collaborations were also widely reported. Thirty-five percent reported that they had already frozen or cut salaries by the time the survey was taken, 26% had cut staff, 18% had implemented some reduction of staff hours, and 17% had reduced employee benefits. These percentages are lower than in our survey of a year ago, but few respondents reported adding staff or increasing salaries or staff hours. While only 4% reported having completed a merger, 14% had explored one, 10% said that they might complete one in 2012, and 13% indicated that they might explore one in 2012.



## Partnerships/Collaborations

Consistent with prior surveys, nearly half of respondents (47%) reported launching new partnerships or collaborations in 2011, most commonly with other non-profit organizations, although partnerships with government and business were also reported. Sample activities included development of joint proposals and events; pooling of resources to enhance program offerings; public/private partnerships to promote arts, tourism and economic development; collaborations between afterschool programs and local police departments; and better coordination of events.

## Changes in Program/Service Focus

Respondents were asked to describe any changes in program or service focus made in response to the trends they had experienced. As was the case a year ago, many reported streamlining operations or narrowing focus due to reduced funding or capacity, while others reported implementing new fees or more aggressive fund raising activities. A number mentioned service adaptations such as more foreclosure counseling, adjusting programs to reflect a more diversified client base, or increased mental health services. Several reported undertaking internal reorganizations such as board restructuring or program analysis/planning.

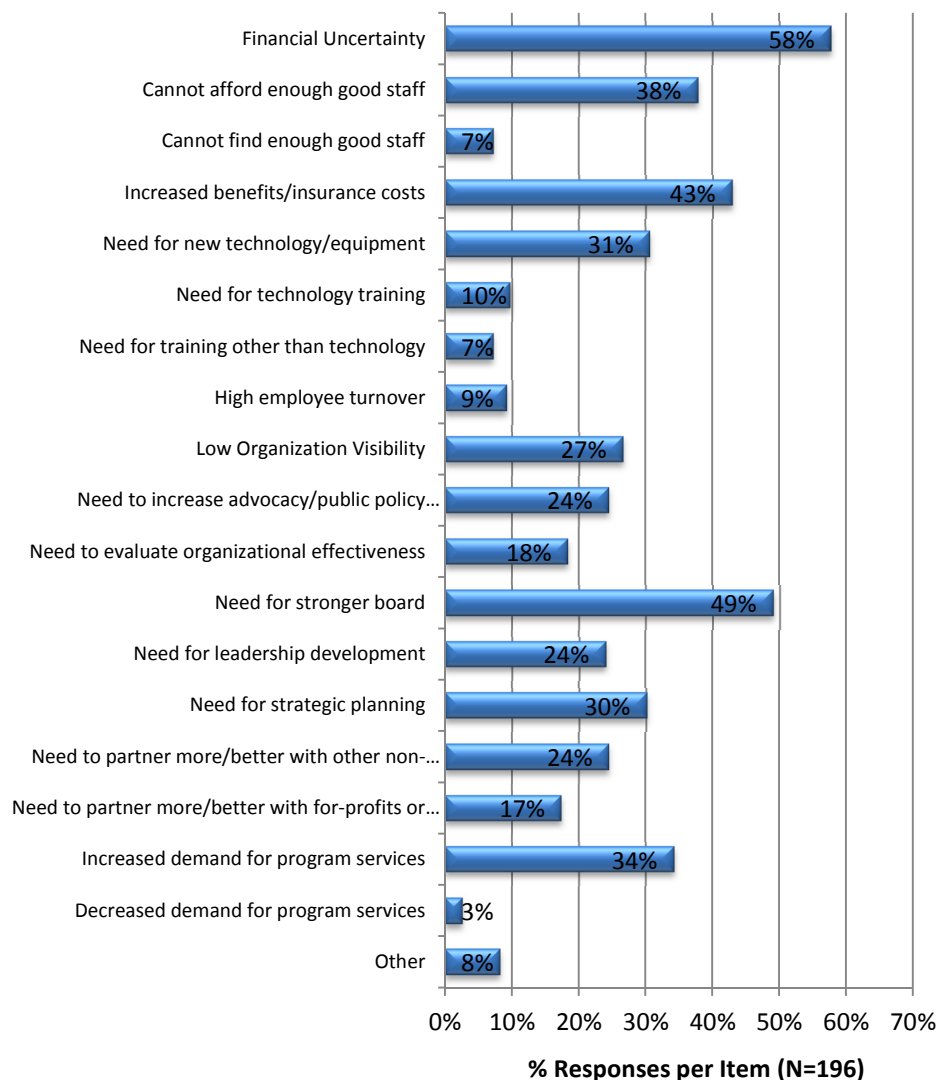
## Issues Facing New Jersey's Non-Profits

Respondents were asked to identify which issues, aside from funding, presented the greatest challenges to the viability and effectiveness of their *individual organizations*. They were also asked to select from a diverse list those five issues that they felt were most important to improving the viability of the *non-profit sector* in the coming decade.

### Challenges faced by individual organizations

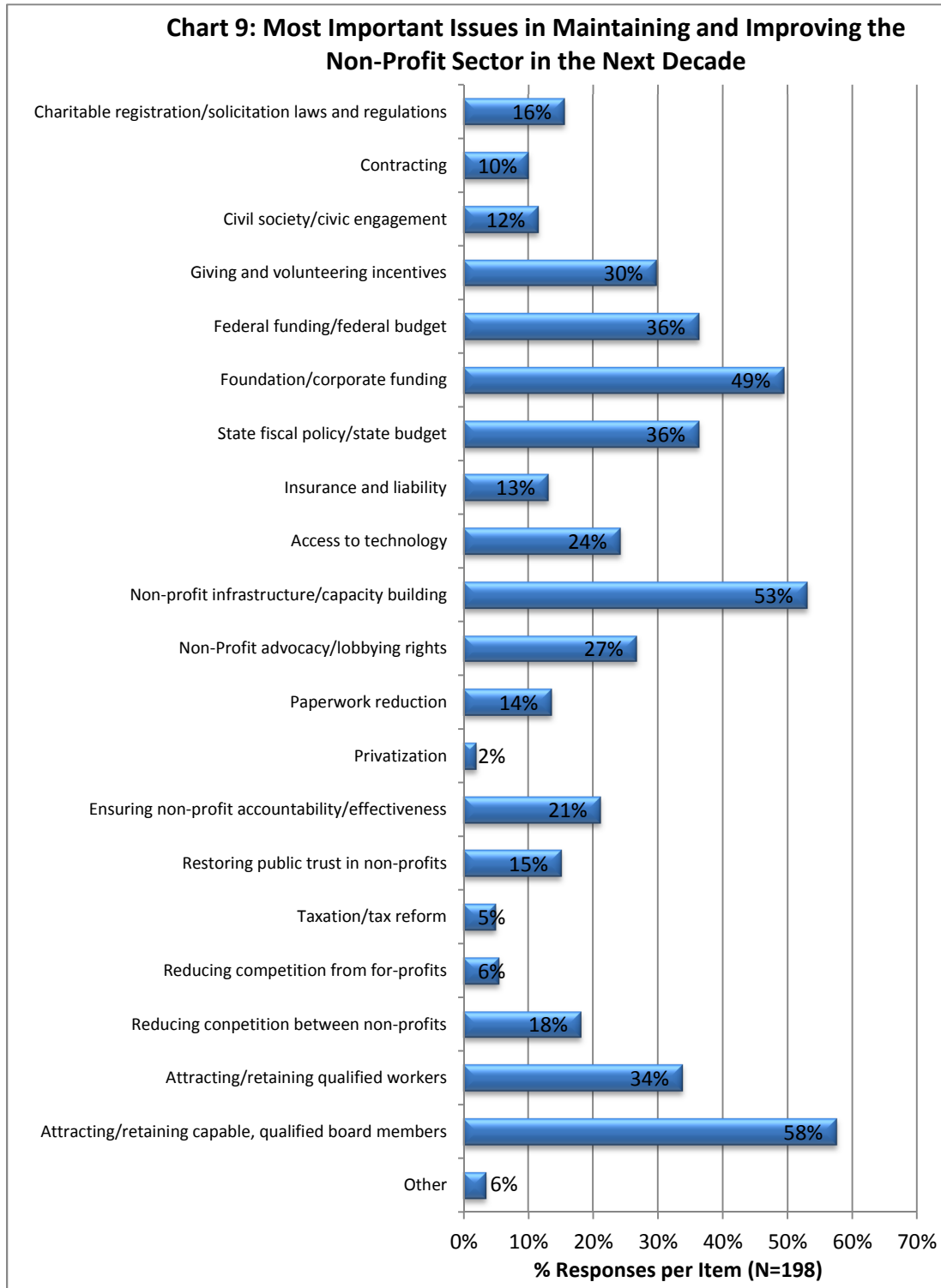
Consistent with previous surveys, financial uncertainty, selected by 58% of respondents, was by far the most frequently cited challenge for individual organizations, followed by the need for a stronger board (49%), higher costs for benefits/insurance (43%), inability to afford high quality staff (38%), and increased demand for services (34%). Other frequently mentioned concerns included the need for new technology/equipment (31%); the need for strategic planning (30%); and low organization visibility (27%). The need to increase advocacy/public policy; leadership development; and better partnering with non-profits were each identified by one-quarter (24%) of respondents. (Chart 8)

**Chart 8: Challenges to Organization Viability/Effectiveness**



### ***Non-Profit Sector Issues***

Governance, infrastructure and funding concerns dominated the issues identified as important to the well-being of the non-profit sector. Attracting/retaining qualified board members, selected by 58% of respondents, topped the list, followed by non-profit infrastructure/capacity building (53%), and foundation/corporate funding (49%). Federal and state fiscal policy/budget issues were identified by 36% each, followed by attracting/retaining qualified workers (34%). (Chart 9)



## Overall Circumstances and Outlook

### *Comparison with One Year Ago*

There was a slight improvement in respondents' assessment of their organizations' overall circumstances compared with one year ago, although the largest percentage indicated that their situations remained relatively unchanged. Thirty-eight percent reported that their organization's circumstances were better overall now than one year ago, while 23% said that their situation was worse and 40% said it was no different. (Table 9)

<b><i>Overall, would you describe your organization's circumstances as better, worse or no different than the same time a year ago?</i></b>						
Response	<b>2008</b> (n=178)	<b>February 2009</b> (n=278)	<b>August 2009</b> (n=242)	<b>February 2010</b> (n=236)	<b>February 2011</b> (n=173)	<b>January 2012</b> (n=194)
Better	51%	31%	17%	30%	32%	38%
Worse	15%	34%	57%	36%	29%	23%
No different	35%	36%	26%	34%	38%	40%

Table 9

### *Outlook for 2012*

Predictions by survey respondents regarding whether their overall circumstances in one year would be better, worse, no different or "unknown/too early to tell" have remained largely unchanged for three consecutive years. Although there has been a slight reduction in those who thought their situations would worsen over the coming 12 months, uncertainty remains high and outlook remains far below pre-recession (2008) levels. (Table 10)

<b><i>Overall, one year from now, do you think your organization's circumstances will be better, worse or no different than they are currently?</i></b>						
Response	<b>2008</b> (n=179)	<b>February 2009</b> (n=282)	<b>August 2009</b> (n=242)	<b>February 2010</b> (n=236)	<b>February 2011</b> (n=173)	<b>January 2012</b> (n=194)
Better	68%	41%	41%	43%	45%	44%
Worse	8%	33%	13%	14%	10%	8%
No different	24%	26%	12%	9%	11%	16%
Unknown/Too early to tell	n/a	n/a	34%	34%	34%	32%

Table 10

### **Interpretation/Implications**

The survey findings suggest that many non-profits remain in something of a "holding pattern" in coping with the ongoing effects of the economic downturn. Fewer declines in funding were reported in this year's survey than in the preceding two years, providing some hope that the very worst may be behind us. However, demand for non-profit services continues to rise while overall funding remains far below pre-recession levels, and respondents' experiences and outlook for 2012 suggests that for many, flat funding will continue to be the norm. Non-profits are seeking to shore up their governance, finances and overall infrastructure to address community needs and ensure future strength.

With government and our state's residents continuing to rely on non-profits to provide vital programs and services, it is crucial for non-profits, policy makers, business and philanthropic leaders to continue to work together to ensure that our state's social and economic needs can be met. The Center for Non-Profits will continue to share the latest information about the economic, social and policy environment for non-profits, and will work cooperatively to seek solutions to the collective challenges we face.



## About the Center for Non-Profits

***The Center for Non-Profits is New Jersey's state association of non-profits.*** For 30 years, since its founding in 1982, the Center has been, and remains, New Jersey's only umbrella organization for all charities in the state.

Through capacity building, public policy, education, and training programs the Center gives non-profits the information and tools to pursue *their* missions more effectively, strengthening non-profits individually and as a sector, in order to improve the quality of life for the people of New Jersey.

### **The First Stop Resource for and about New Jersey non-profits**

The Center helps thousands of non-profits every year – **tracking trends, advocating on non-profit issues, providing legal and management expertise and timely information.** We specialize in the issues that are common to the broad cross-section of non-profits, enhancing and complementing the work organizations do in their own fields. Because the Center is keeping watch on these broad issues, **individual non-profits are free to focus more on their own goals, saving time and money** in the process.

### **A strong BASE for New Jersey non-profits**

**Building** non-profit capacity through shared resources and expertise

**Advocating** on behalf of the New Jersey non-profit sector

**Saving** non-profits money through group buying and affinity programs

**Educating** prospective and existing non-profit leaders on best practices

For more information about the Center and how membership can add value for your organization, visit [www.njnonprofits.org](http://www.njnonprofits.org), or call the Center at 732-227-0800.

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